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EXHIBIT 1

Invention Development Notes of William H. Barber
June, 1997

Submitted with the 37 CFR § 1.131 Declaration of William H. Barber, in the RCE filed in
Application Serial No. 09/578,631

New Business Feasibility Study

CU Executive MBA
Beaver Creak Retreat
Class of 1998

June, 1997

Professor Steve Lawrence
Executive Programs
University of Colorado

New Business Feasibility Study **Packet Contents**

1. Schedule for *New Business Feasibility Study*
2. *New Business Feasibility Study* worksheets
3. Self-Assessment Instruments for Entrepreneurs
4. "The Entrepreneurial Mind in Thought and Action," Chapter 5 in Jeffrey A. Timmons, *New Venture Creation*, fourth edition, Irwin, 1994.
5. *Elements of a Business Plan*, Steve Lawrence, University of Colorado, Boulder, CO, 1996.

→ see web site

DVD
/ \ \
Digital Video Disk

New Business Feasibility Study **Schedule**

Thursday evening, June 13

Review: *FastTrac I Handbook*

Read: *The Entrepreneurial Mind in Thought and Action* (optional)

Prepare: Entrepreneurial self-assessment instruments (optional)

Friday morning, June 14

8:30 – 9:00 Introduction (all)

9:00 – 9:30 Company Overview and Product Description work-up (teams)

9:30 – 9:45 Introduction to Marketing plans (all)

9:45 – 10:15 Marketing plan work-up (teams)

10:15 – 10:30 Introduction to Development and Operations planning (all)

10:30 – 11:00 Development and Operations work-up (teams)

11:00 – 11:15 Introduction to Financial plans (all)

11:15 – 11:45 Financial plan work-up (teams)

11:45 – 12:00 Wrap-up

Friday evening, June 14

Refine plan

Complete Executive Summary

Prepare for Saturday morning presentations

Saturday morning, June 15. Presentations are intended to be informal and informative. Present for no more than 10 minutes, leaving 5 minutes for questions.

8:30 – 8:45 Aurora Study Group

8:45 – 9:00 Highlands Ranch Study Group

9:00 – 9:15 Denver Study Group

9:15 – 9:30 Fort Collins Group

9:30 – 9:45 Englewood / Bow Mar Study Group

9:45 – 10:00 GoldEnvision

10:00 – 10:15 Boulder Study Group

10:15 – 10:30 Parker Study Group

10:30 – 10:45 Personal investment decisions

10:45 – 11:15 Introduction of second year faculty

11:15 – 11:30 Feasibility plan awards

New Business Feasibility Study
Worksheets

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Company Overview

The Company Overview is a brief description of the company you have founded or want to found. How will it be organized? Will it be a sole proprietorship, partnership, or corporation? What are your ambitions for the company? Will it always be a small company, or do you want to grow it into an international giant? Upon reading this section, the reader should have a good idea of where you are and where you are going with your company.

What is the name of our company? Does our company currently exist, or will it be forming?

Disc-Spenser / Forming

How is our company organized (e.g., sole proprietorship, partnership, corporation, ...)?

Corporation

What is our overall strategy and what objectives do we have? What are our goals for the company (keep it small, grow it big, franchise it, ...) What is the exit strategy for ourselves and for our investors (sell to larger company, go public, buy out investors, ...)

- Rapid growth / national & international
- IPO Exit strategy (go public)
- sell to big corp.

Product/Service Description

The Product and Services section is a detailed description of the products and/or services you will be selling. You should not assume that the reader is familiar with your product/service, so be sure to explain and describe it carefully. Begin to sell your idea here by generating some excitement about your product/service. Be factual, but be enthusiastic. When readers have finished learning about your product or service, they should be primed to wade into the marketing and financial details of your venture.

What exactly is our product or service? What isn't it? Carefully describe.

~~At~~ Provide a convenient way for the public to rent or buy movies thru the internet ~~using~~ the latest technology

What is unique about our product/service? What are its features and benefits? Do we have any proprietary rights to the product/service (for example, technology, patents, copyrights, etc.)?

- not currently avail
Coi

Why is our product/service superior to the competition, and how is it different?

- website reservation
- Convenience (from car, more locations)
- cost (less staff, lower overhead)
- automation (inventory control)
- 7 days/24 hr operation

Marketing Plan

The Marketing section of your plan will make or break the prospects for your venture. A great idea is meaningless if you cannot find customers. Carefully drafted and logical financial projections are irrelevant if nobody buys your product. In the Marketing and Sales section you must convince first yourself, and then the reader, that there is indeed an eager market for your product.

What is the market we intend to serve? How large is it? What is its growth potential?

- Everyone who watches movies
- High
- Unlimited

What is the industry that addresses this market? What trends are important in this industry? How does this industry segment the market?

- Entertainment
- Improving Tech, ^{fast} convenient service
-

Who are our target customers? What problems are we solving for them? What are their profiles? What motivates their buying decisions?

- Everyone who watches movies
- Entertainment needs met
- Movies for every type of person
- Convenience, Cost, entertainment necessity

(1)

(2)

(3)

What are the strengths of our product/service? Weaknesses? How will we position our product or service?

(1) - Convenience, ~~speed~~, privacy

(2) - Competitive threats (pay per view)

(3) - Push the convenience factor

Who are our competitors? What are their strengths and weaknesses? What other risks do we face entering this market?

- ~~VHS~~ Video Stores, cable, pay-per-view

↓
str.: Brand name

- weak: only video tape tech
limited hours

↳ str.: convenience (more than VHS)
weak: limited movie selection

- risk - ~~acc~~ acceptance and development
② Pay per view really taking off

What distribution channels will we use? How will we communicate with our customers (e.g., advertising, promotion, etc.)?

(1) - Risk

(2) - T.V. Advertising, flyers,

How will our product or service be sold? Who will do the selling?

↓

↳ sales staff

(1) ~~same~~ same / major credit
cards, business

(2)

Development and Operations Plan

In this section, you will outline how you intend to ramp-up and operate your business. This section is often woefully under-developed in many business plans. Assuming you have a dynamic marketing plan and customers do indeed come flocking for your product or service, you must be able to deliver it to them.

Is our product/service ready for the market, or is it in development? If in development, what must we do to make it ready for market?

- ^{Not} - Ready for Market (technology has just emerged)
- Customized machines
 - VST's w/ movies

What factors need to come together to make our concept work? What must we do to bring them together? What are the risks?

- Specialized vending machine, coordinating with particular locations & businesses, movies need to ~~be~~ be using new VST technology
- Research VST stage of development
Spec out a vending machine
Risk:

How will we produce and deliver our product/service? What will we do in-house, and what will we purchase (make vs. buy)?

- Purchase at wholesale discount
- Out source machine
- make special Deal w/distributors
- get to know movie business

How will we use our operations to compete on dimensions of cost, quality, timeliness, and flexibility?

- ~~Costs~~: minimal human involvement in video business
- flexible = rental & buy 24 hours a day
- Quality: VDT provides improved quality
- Timeliness: vending machines conveniently located

How will we use technology to create comparative advantage with our operational design?

- ~~Barcode~~, GPS, real-time inventory, credit card related
- automatic re-stocking

Financial Plan

Your Financial Plan should be frosting on a cake. You have outlined a great business concept, demonstrated a real need in the marketplace, shown how you will execute your ideas, and now will show how much money everyone is going to make. Note, however, that if your business concept is weak, or there is not a market, or if your execution is poor, then your financial plans are doomed to failure. If you haven't convinced your readers by now in the strength of your concept, then they won't be convinced with your financials. And remember, **CASH IS KING!**

How will our product be priced? What are gross revenues per unit sold?

Sale: cost + x% $\frac{\text{DVD (same) Kiosk}}{\$25} \quad \frac{\text{Kiosk}}{\$100,000} \quad \frac{\text{DVD cost}}{\$50,000}$

Rental: % of cost $\frac{\text{land}}{\text{no cost}} \quad \frac{\text{land}}{\% \text{ of sales}}$

target: rent: $\$400 \times 100 = \400

What are the variable costs of producing or delivering a unit of our product (materials, labor, ...)?

What is the gross margin per unit (unit price minus variable cost)?

~~gross margin per unit = \$25 - \$50 = -\$25~~

What are the ongoing fixed costs of operating our business (salaries, rent, capital, advertising, insurance, ...)?

rent, maintenance on machine, your salary, electrical

What is the break-even point of our business? (The break-even quantity is equal to fixed costs divided by gross margin per unit).

1000 movies
x \$5 of each
= 5000
10,000 movies

What are the one-time start-up costs of our business (equipment, deposits, fixtures, furniture, ...)?

- machine (prototype)

What are our sales projections for the first 3 years? Estimate gross profit (revenues minus costs of goods sold) over this time horizon.

Estimate cash flow for each of the first three years (gross profit less fixed costs less start-up costs). How much cash will you need to start and sustain the business through its first 3 years? Where will it come from (savings, a loan, venture capital, an angel, ...)?